



Committee On Finance

Max Baucus, Ranking Member

NEWS RELEASE

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Baucus Fights to Keep Taxpayer Assistance Centers Open *Senator Joins Colleagues in Sending Letter to Appropriations Committee*

(WASHINGTON, D.C.) U.S. Senator Max Baucus, ranking member of the Senate Finance Committee, led a bipartisan coalition of senators in an effort to keep Taxpayer Assistance Centers (TACs) open across Montana and the country. In a letter to Chairman Christopher Bond and Ranking Member Patty Murray who lead the subcommittee responsible for Internal Revenue Service funding, Baucus emphasized the important service TACs provide to Americans in meeting their tax obligations.

Last April, Baucus joined fellow colleagues to provide more funds for the taxpayer service by introducing a bill that authorized \$10 million in matching grants for low-income tax preparation clinics.

Full text of the letter to Chairman Bond and Ranking Member Murray follows:

June 23, 2005

The Honorable Christopher Bond
Chairman, Appropriations Subcommittee on
Transportation, Treasury, the Judiciary,
Housing and Urban Development, and
Related Agencies
130 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Patty Murray
Ranking Member, Appropriations Subcommittee
on Transportation, Treasury, the Judiciary,
Housing and Urban Development, and
Related Agencies
128 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Bond and Ranking Member Murray:

As you put together the Fiscal Year 2006 (FY 06) appropriation for the Internal Revenue Service (IRS), we hope that you will not support the IRS's planned reductions in taxpayer service, including the closure of 68 Taxpayer Assistance Centers (TACs) across the country.

In 1998, Congress sent a clear signal to the IRS. As part of the IRS Restructuring and Reform Act, Congress directed the IRS to "restate its mission to place a greater emphasis on serving the public and meeting taxpayers' needs." The IRS quickly developed a new mission and IRS employees experienced a paradigm shift – from viewing all taxpayers as adversaries to viewing most taxpayers as

partners in the effort to ensure voluntary compliance. Unfortunately, the IRS is beginning to show signs of retreating back into its old ways. Therefore, we believe that Congress must reinforce the importance of quality, accessible taxpayer service – balanced with quality enforcement – through the IRS appropriation.

The IRS bases its plan to close TACs on several arguments. We believe each argument lacks merit, as discussed below.

Decreased Usage

The IRS asserts that closure of the TACs is justified because taxpayer usage has declined. However, peering behind the curtain reveals that decreased usage appears to result largely from limitations the IRS itself has imposed on the capacity and service options available at the TACs as opposed to actual decreases in taxpayer desire for assistance from TACs. Specifically, the IRS has reduced TAC capacity over the past few years through personnel reductions and limitations on available TAC personnel. Additionally, it is our understanding that the IRS has turned away many taxpayers seeking assistance. At some sites this past filing season, we understand that lines of taxpayers began to form hours before the TACs opened, and the IRS turned away many taxpayers seeking to comply with their tax filing obligation. Significantly, the IRS statistics of taxpayers served by TACs do not include those taxpayers who sought assistance but were turned away. Even more troubling, the IRS has dramatically reduced the number of tax returns that it allows its employees to help prepare for taxpayers at the walk-in sites. Some IRS TAC employees were told not to prepare more than 10 returns a day. At other TACs, we understand employees were told to reduce returns prepared by 20% for each of the past two years. Finally, the IRS has placed limits on the scope of questions that can be answered at the TACs (e.g., instead of allowing a TAC employee to hit a few buttons on his or her computer to print taxpayer transcripts and give them to taxpayers while they wait, the TAC employee must now direct taxpayers to call a toll-free number to request a transcript, which request typically takes two weeks to process). We should not compound these reductions in taxpayer service by allowing these closures to proceed as planned.

GAO Told IRS to Close TACs

The IRS asserts that the Government Accountability Office (GAO) supports its decision to close TACs. However, upon closer reading of the GAO report, it is evident that such “support” has been taken out of context. Specifically, before the GAO report lists TAC closures and other possible cost saving options, it makes the following statement: “The options on this list are not recommendations, but are intended to contribute to a dialogue about the tradeoffs faced when setting IRS's budget.” We believe that the GAO's qualified language implies that the IRS must make a solid business case for any closures. As the Treasury Inspector General for Tax Administration has indicated (as quoted below), the IRS has not made such a case.

Taxpayers Want to Use Other Means to Communicate with IRS

Another IRS assertion is that taxpayers prefer to communicate with the IRS via the Internet or telephone. However, the IRS has failed to produce documentation of any taxpayer-focused assessment of taxpayers' need for face-to-face service. It is also our understanding that the IRS has not involved stakeholders (such as tax practitioners, who also use TACs for their clients) in the decision making in any meaningful way. It is also our understanding that the IRS has not fully explored identification and development of alternative methods for providing face-to-face service. In fact, Ms. Nina Olson, National Taxpayer Advocate, reported to Congress that a Pew study found that a significant percentage of individuals prefer face-to-face service when seeking assistance from the government. Further, Mr. Russell George, Treasury Inspector General for Tax Administration, stated in testimony before the Finance Committee: "I am skeptical that the IRS has adequate data to assess the impact that closing these centers will have on customer service. I am also concerned that the IRS has insufficient data to draw conclusions on the likelihood that taxpayers, who have used these centers in the past, will be able to use other methods of seeking help, such as the Internet or telephone." While we should welcome use of the Internet to reach more taxpayers, there is little evidence that taxpayers do not want the personal service afforded to them by TAC personnel.

IRS Lacks Research Regarding Impact of Taxpayer Service on Compliance

The IRS's decision to cut taxpayer service in general and close TACs in particular appears to be based on the notion that overall compliance will only improve if the next dollar is spent on enforcement. In other words, it believes that a dollar spent on enforcement will do more to increase compliance than a dollar spent on taxpayer outreach and assistance. However, the IRS lacks research regarding either the impact of taxpayer service on compliance or the indirect revenue gains achieved through enforcement expenditures. As such, it is just as plausible to make the case that the closure of TACs, elimination of electronic tax law assistance, elimination of TeleFile, and other taxpayer service cuts may lead to reduced compliance even if enforcement spending is increased. Commissioner Everson is fond of saying that "service + enforcement = compliance." However, Ms. Nina Olson, National Taxpayer Advocate, has pointed out: "Unfortunately, the IRS's equation doesn't tell us what is the optimal mix between service and enforcement, because each of the equation's elements is a variable. For example, if we reduce service, there is no guarantee - no matter how much we increase our enforcement efforts - that compliance will increase overall. Indeed, it is entirely possible that an increase in enforcement initiatives, offset by a decrease in taxpayer service, would result in less compliance. The IRS's current approach reflects the view that enforcement activity should be increased while taxpayer service is reduced. Is that the right answer? And within enforcement, where are our dollars best targeted? The truth is that we have no idea." We are concerned that, if we reduce taxpayer service by eliminating nearly 20% of the TACs, the Commissioner's formula actually suggests a reduction in compliance - and it will undoubtedly lead to millions of taxpayers who are not being well-served by their government.

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We appreciate the opportunity to express our concerns regarding the IRS's planned cuts in taxpayer service and closure of Taxpayer Assistance Centers. Each year, millions of Americans strive to comply with a complicated tax code that is not of their making. It is incumbent upon the Federal

government to provide quality, accessible assistance to every taxpayer who is trying to honestly comply with the law. A failure to do so simply breeds disrespect and encourages noncompliance. Our nation cannot afford such a path.

Sincerely,

Senator Max Baucus (D-MT)
Senator Olympia Snowe (R-ME)
Senator John Rockefeller (D-WV)
Senator Orrin Hatch (R-UT)
Senator John Kerry (D-MA)
Senator Norm Coleman (R-MN)
Senator Larry Craig (R-ID)
Senator Mark Pryor (D-AR)
Senator Hillary Clinton (D-NY)
Senator Christopher Dodd (D-CT)
Senator Frank Lautenberg (D-NJ)
Senator Jack Reed (D-RI)
Senator Tim Johnson (D-SD)
Senator Daniel Akaka (D-HI)
Senator Barbara Mikulski (D-MD)
Senator Paul Sarbanes (D-MD)
Senator Jeff Bingaman (D-NM)
Senator James Jeffords (I-VT)
Senator Charles Schumer (D-NY)
Senator Mark Dayton (D-MN)
Senator Jon Corzine (D-NJ)
Senator Patrick Leahy (D-VT)
Senator Evan Bayh (D-IN)
Senator Herb Kohl (D-WI)
Senator Susan Collins (R-ME)